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SUBJECT: JORDAN'S SUBSIDY-FREE BUDGET SIGNED INTO LAW; PRICE
INCREASES AND DEMONSTRATIONS EXPECTED

REF: A) AMMAN 296
B) AMMAN 26
C) 07 AMMAN 4575 AND PREVIOUS

11. (U) On February 6 Jordan's 2008 state budget law was enacted, a decision that sets into motion an unpopular, but fiscally responsible, plan to eliminate subsidies for petroleum products and barley. The new law was published in a special edition of the Official Gazette, the final legal step following budgetary approval by the upper house of parliament on February 5. The cabinet is expected to meet soon to determine when price increases will go into effect.

12. (SBU) The lifting of the fuel subsidy will have a positive impact on Jordan's budget. Subsidies, if maintained, were projected to cost the GOJ \$1.4 billion in 2008 (ref C). Price increases for not only kerosene, diesel, LPG, and fuel oil, but also gasoline, the price of which was liberalized in 2006, could be immediately implemented. The plan, while fiscally sound and long-anticipated, has nonetheless spooked a populace still reeling from the effects of previous fuel price hikes, rising food prices, and steadily growing inflation. The local press has reported incidents of fuel hoarding, and legal action against three gas station owners is pending. The press has further reported gasoline shortages as Jordanians flocked to filling stations in an attempt to beat price increases. Several professional organizations have also organized sit-ins in protest of fuel and food price increases. More public criticism, as well as some civic unrest in poorer pockets, are possible once the increases go into effect. The Islamic Action Front is already on the rhetorical attack, and Al Jazeera - widely viewed in Jordan - has amplified the voices of critics of the plan.

13. (U) In an attempt to offset rising prices and anticipated high inflation, the GOJ will launch a \$421 million social safety net program to provide cash payments to the neediest citizens. The 2008 budget also includes raises for public servants and pensioners (reftels).

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